Public Version

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
TRADE POLICY STAFF COMMITTEE

In the Matter Of:
Imports of Certain Steel

BUSINESS CONFIDENTIAL INFORMATION DELETED FROM PAGES 3-10, AND FROM EXHIBIT 1.

CARBON AND ALLOY WELDED TUBULAR PRODUCTS OTHER THAN OIL COUNTRY TUBULAR GOODS (CATEGORY 5)

On Behalf of Rothrist Tube (Switzerland) Inc.: Request To Exclude Certain Products From Import Relief Under Section 203

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I. OVERVIEW

Pursuant to the Office of the United States Trade Representative, Trade Policy Staff Committee Notice for *Public Comments on Potential Action Under Section 203 of the Trade Act of 1974 With Regard to Imports of Certain Steel*,[1] on behalf of Rothrist Tube (Switzerland) Inc. ("Rothrist"), we request exclusion of the following products from any remedy imposed on imports of carbon and alloy welded tubular products (other than oil country tubular goods):

- **Tubes for assembled camshafts**: HTS subheadings 7306.30.5015 and 7306.50.5030;
- **Tubes for swaged or straight propshafts**: HTS subheadings 7306.30.1000, 7306.30.5015, 7306.50.1000 and 7306.50.5030;
- **Tubes for shock absorbers**: HTS subheading 7306.30.5015;
- **Tubes for gas springs**: HTS subheadings 7306.30.1000 and 7306.30.5015;
- **Tubes for steering cylinders**: HTS subheading 7306.30.5015;
- **Tubes for half shafts**: HTS subheadings 7306.30.5015 and 7306.50.5030; and
- **Other precision drawn over mandrel steel tubes**: HTS subheadings 7306.30.5015 and 7306.50.5030.[2]

Each of these products are classified under DIN 2393C, but individually engineered and custom made by Rothrist to meet specific performance and durability criteria required in various applications by the U.S. automotive industry. A very small percentage of Rothrist's tubes are used by the furniture finishing industry where high-quality standards need to be met.

As described below, the U.S. tube industry does not produce like or competitive products and, where it does, production is limited and foreign supply is crucial to meet domestic demand. During the Commission's October 1, 2001 injury hearing and the November 8, 2001 remedy hearing on Welded Tubular Products Other Than OCTG, none of the U.S. producers testified that precision and high-end DOM welded tubes were causing or threatening to cause serious injury. In fact, the only reference to precision tubes during the hearings was made by a U.S. steel service center representative who testified that:

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1 66 Fed. Reg., 54321 (October 26, 2001).

2 Rothrist previously submitted exclusion requests for these specific products on October 17 in response to the International Trade Commission's ("Commission") Exclusion Request Data Sheet, as well as in an October 29 pre-hearing brief on remedy to the Commission. A public version of Rothrist's pre-hearing brief, including relevant Exhibits, was submitted to the TPSC via e-mail on October 30.

> [a]lthough most of my welded tube purchases come from U.S. mills . . . my customers sometimes require me to purchase from Canadian mills, because they simply cannot use some of the U.S. products, as they are produced.
>
> For example, . . . John Deere requires Service Steel to buy Canadian welded tubes, because U.S. producers cannot guarantee their products will meet John Deere's strict requirements.[3]

All of Rothrist's sales of precision tubes to the U.S. market are to customers that demand extraordinary high quality. Moreover, the majority of Rothrist's tubes generally are priced higher than any similar U.S. products.

Section 203 of the Trade Act of 1974 requires that the President consider the overall impact of any remedy imposed. Specifically, the President must consider:

> the short-and long-term economic and social costs of the actions authorized...relative to their short-and long-term economic and social benefits and other considerations relative to the position of the domestic industry in the United States economy.[4]

The President also must consider:

> the effect of the implementation of actions under this section on consumers and on competition in domestic markets for articles.[5]

Thus, the lack of domestic production of an imported article is sufficient grounds for the President to exclude that product from any Section 203 remedy. In *Certain Steel Wire Rod*, the President excluded from the remedy imposed various specialty and high-quality products that either were not produced by the U.S. industry or not produced in sufficient quantity.[6]

In this case, the President should exclude from any remedy that may imposed each of the products discussed below because the U.S. industry lacks the ability to produce like or similar products and where it does, in insufficient quantities to meet U.S. demand.

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3 Commission Hearing Transcript at 2705 (October 1, 2001).

4 19 U.S.C. § 2253(a)(2)(E).

5 19 U.S.C. § 2253(a)(2)(F)(ii).

6 *See Action Under Section 203 of the Trade Act of 1974 Concerning Steel Wire Rod*, Presidential Proclamation 7273 (February 16, 2000). The various rod products excluded from the remedy are listed in the U.S. Notes to Chapter 99 of the Harmonized Tariff Schedule of the United States (2001) at 99-41 through 99-43.

II. CARBON AND ALLOY WELDED TUBULAR PRODUCTS (OTHER THAN OIL COUNTRY TUBULAR GOODS) (TPSC PRODUCT CATEGORY 5)

A. Tubes For Assembled Camshafts

1. Product Description

Certain precision, cold-drawn over mandrel ("DOM") welded steel tubes, either in long length, cut-to-length or fully machined, ready to use are used by the U.S. automotive industry to produce assembled camshafts. Camshafts are used in internal combustion engines to actuate valves at precise timing intervals.

Rothrist's hollow camshaft tubes result in a light-weight and cost-effective product that reduces vibration and is able to withstand high valve train loads. Camshafts undergo rigorous testing before they are used in automobile engines and must operate with absolute precision. Rothrist manufactures its camshaft tubes to meet the following chemical, physical and mechanical specifications:

Material characteristics [Chemical Properties]	• [Material Properties • • • • •]
Product	• [• •]
Typical Tube Size	• [•]

2. Harmonized Tariff Schedule And DIN Classification

This merchandise is classified under HTS subheadings 7306.30.5015 and 7306.50.5030. The DIN Standard for this product is DIN 2393C.

3. Basis For Exclusion

Rothrist is not aware of any significant U.S. industry producing similar high-quality products. Thus, it is highly unlikely that importing the above-described product in any quantities would cause the U.S. tube industry serious injury or threat thereof and would justify the imposition of a remedy.

4. Domestic Production And Market Conditions

Rothrist believes that, as one of the sole suppliers of this product to the U.S. automotive industry, restricting its exports to the United States could result in the shut-down of various U.S. automotive engine production lines. Rothrist's exports to the United States are detailed in Exhibit 1.

B. Tubes For Swaged Or Straight Propshafts

1. Product Description

Certain precision, DOM welded steel tubes, either cut-to-length or cut-to-length and rotary swaged, both ready to use are used by the U.S. automotive industry to produce hollow propshafts. Propshafts consist of one or more thin-walled tubular shafts connected by universal, or other, joints and transmit torque and rotation motion at fixed or varying angles from the engine to the wheels via a differential or drive unit.

Propshafts are made either with: (i) straight tubes; (ii) swaged tubes with a transition angle of about 15°; or (iii) swaged tubes with a transition angle of about 50°. The latter tubes, also known as "slip-in tubes", exhibit enhanced crash features under which the two parts of the tube collapse into each other. Swaged tubes also eliminate the need for conventional steel slip and forged stud yokes, increasing efficiency, reducing weight and improving noise and vibration. Rothrist manufactures its propshaft tubes to meet the following chemical, physical and mechanical specifications:

Material characteristics • [Chemical Properties]	• [Material Properties • • • •]
Product	• [• •]
Typical Tube Size	• [•]

2. Harmonized Tariff Schedule And DIN Classification

This merchandise is classified under HTS subheadings 7306.30.1000, 7306.30.5015, 7306.50.1000 and 7306.50.5030. The DIN Standard for this product is DIN 2393C.

3. Basis For Exclusion

Rothrist is not aware of any significant, if any, U.S. industry producing similar high-quality products. Rothrist also is one of the few tube manufacturers that employs in-house swaging expertise and capability required to produce swaged propshafts. We believe that it is highly unlikely that importing the above described product in any quantities would cause the U.S. tube industry serious injury or threat thereof.

4. Domestic Production And Market Conditions

Rothrist is one of the sole suppliers of this product to the U.S. automotive industry and restricting its exports to the United States could result in the shut-down of various U.S. automotive production lines, delaying the introduction of advanced technology in U.S. made vehicles. (These propshafts are expected to be installed in U.S. vehicles by 2003.) Rothrist's exports to the United States are detailed in Exhibit 1.

C. Tubes for Shock Absorbers

1. Product Description

Certain precision, DOM welded steel tubes, cut-to-length which are used by the U.S. automotive industry to produce high-quality shock absorbers. These high-end shock absorbers are produced according to an advanced manufacturing process that eliminates "ballizing." (Ballizing is an expensive finishing process that pushes a ball through a tube in order to smoothen the ID and ensure absolute roundness.)

Rothrist tubes are used to manufacture monotube shock absorbers or working cylinders of twintube shock absorbers. Rothrist's tubes reduce end-user manufacturing costs by: (i) eliminating ballizing; (ii) eliminating expensive hot forming because the material has excellent deep drawing properties enabling closure of one end of the cylinders by cold forming; and (iii) offering tubes with exceptionally low reject rates. Rothrist manufactures its tubes for shock absorbers to meet the following chemical, physical and mechanical specifications:

Material characteristics • [Chemical Properties • •]	• [Material Properties • • •]
Product	• [• • •]

Typical Tube Size	• [•]

2. Harmonized Tariff Schedule And DIN Classification

This merchandise is classified under HTS subheading 7306.30.5015. The DIN Standard for this product is DIN 2393C.

3. Basis For Exclusion

We believe that the U.S. industry does not produce like or directly competitive products. Where it does, production appears limited and of lower quality necessitating foreign supply to meet domestic demand. Thus, it is highly unlikely that importing the above described product in any quantities would cause the U.S. tube industry serious injury or threat thereof.

4. Domestic Production And Market Conditions

As one of the few suppliers of this high-end product to the U.S. automotive industry, restricting Rothrist's exports to the United States could result in compromising availability of quality shock absorbers needed by various U.S. automobile types. Rothrist's exports to the United States are detailed in Exhibit 1.

D. Tubes for Gas Springs

1. Product Description

Certain DOM welded steel tubes which are used to produce gas springs for the U.S. automotive industry (*e.g.*, for trunks or hatch-back-type doors) and/or to achieve the pneumatic function (adjustable height) of swivel chairs for the furniture industry.

Rothrist's tubes: (i) maintain a very smooth ID surface with perfect circularity, eliminating the need for ballizing; (ii) demonstrate excellent deep drawing properties that are necessary for closing one end of the tube through a cold forming process; and (iii) offer a high-quality weld resulting in an absolute leak-proof product. Rothrist is able to manufacture these tubes with exceptionally low reject rates ensuring reliability and durability, paramount for surviving in the very competitive gas spring market. Rothrist manufactures its tubes for gas springs to meet the following chemical, physical and mechanical specifications:

Material characteristics • [Chemical Properties • •]	• [Material Properties • • •]
Product	• [

	• • • •]
Typical Tube Size	• [•]

2. Harmonized Tariff Schedule And DIN Classification

This merchandise is classified under HTS subheading 7306.30.1000 and 7306.30.5015. The DIN Standard for this product is DIN 2393C.

3. Basis For Exclusion

We believe that the U.S. tube industry produces only a small quantity of like or directly competitive products and that, where it does, production is limited and foreign supply is necessary to supplement domestic demand. It is highly unlikely that importing the above described product in any quantities would cause the U.S. tube industry serious injury or threat thereof.

4. Domestic Production And Market Conditions

Rothrist believes that one other U.S. tube producer, [Metal-Matic], offers a similar product, but at lower prices. Other U.S. tube producers may offer similar products, but they often do not meet the same high quality standards for the size ranges that the U.S. gas springs industry has come to rely on and expect from Rothrist. Rothrist's exports to the United States are detailed in Exhibit 1.

E. Tubes for Steering Cylinders

1. Product Description

Certain DOM welded steel tubes are used by the U.S. automotive industry to produce high performance hydraulic steering cylinders. Rothrist's tubes allow steering cylinder manufacturers to cut costs because of: (i) excellent ID surface and perfect circularity eliminating expensive honing (*i.e.*, reworking the inner side of the tube with a special cutting tool that is pushed through the tube in order to machine the ID surface and to make sure the ID is absolutely round); and (ii) very low reject rates of finished products. Rothrist manufactures its tubes for steering cylinders to meet the following chemical, physical and mechanical specifications:

Material characteristics • [Chemical Properties	• [Material Properties • •]

Product	• [• • • •]
Typical Tube Size	• [•]

2. Harmonized Tariff Schedule and DIN Classification

This merchandise is classified under HTS subheading 7306.30.5015. The DIN Standard for this product is DIN 2393C.

3. Basis For Exclusion

Based on its experience with its European customers, Rothrist is not aware of a significant, if any, U.S. tube industry producing similar or like quality products, especially not ready-to-use tubes where ID surface and circularity are demanded (a process that eliminates honing). Thus, it is highly unlikely that importing the above described product in any quantities would cause the U.S. tube industry serious injury or threat thereof.

4. Domestic Production

Rothrist currently does not export the above described product to the U.S. market and is not aware of a like or similar industry in the United States. However, Rothrist believes that the U.S. market for precision steering cylinder tubes may become more active in the near future as the U.S. automotive industry focuses on reducing costs. Rothrist's previous exports to the United States are detailed in Exhibit 1.

F. Tubes for Half Shafts

1. Product Description

Certain precision, DOM welded steel tubes, cut-to-length which are used by the U.S. automotive industry to produce hollow half shafts (also called drive shafts). Half shafts are subsystems that drive the front or rear wheels of a vehicle. High-end hollow (tubular) half shafts: (i) reduce overall weight by 30 percent; (ii) significantly improve passenger comfort by reducing vibrations; and (iii) enhance fuel efficiency.

Rothrist's tubes demonstrate high strength, tight wall thickness tolerances and excellent cold forming properties. Rothrist has adapted these tubes to rotary hammering and spline

pressing, which are cold forging processes used to shape the tubes. Rothrist manufactures its half shaft tubes to meet the following chemical, physical and mechanical specifications:

Material characteristics • [Chemical Properties •]	• [Material Properties • • • • •]
Product	• [• •]
Typical Tube Sizes	• [•

2. Harmonized Tariff Schedule And DIN Classification

This merchandise is classified under HTS subheadings 7306.30.5015 and 7306.50.5030. The DIN Standard for this product is DIN 2393C.

3. Basis For Exclusion

Rothrist currently does not export the above described product to the U.S. market and, based on its experience with its European customers, is not aware of a significant, if any, U.S. tube industry producing similar or like quality products. It appears highly unlikely that importing the above described product in any quantities would cause the U.S. tube industry serious injury or threat thereof.

4. Domestic Production And Market Conditions

Inquiries from U.S. customers suggest that the United States could become a potential market for these specialty products. Delaying the introduction of these tubes could significantly impair development of U.S. automotive (half shaft) technology.

G. Other Precision Drawn Over Mandrel Steel Tubes

1. Product Description

(1) *Certain other precision welded DOM steel tubes* used by the U.S. automotive industry in the manufacture of steering columns and hollow stabilizer bars; and (2) *precision welded cold DOM steel profiles* used by the U.S. agriculture vehicle and machinery industry in the manufacture of hollow telescopic power take off shafts.

These tubes are highly customized and designed for very specific, high-end, high-performance applications that vary from market to market. Examples include:

- tubes for steering columns that increase safety and enhance operating performance and fuel economy;
- hollow stabilizer bars which are part of the suspension system (also known as anti-roll bars) and link wheels on opposite sides of the vehicle reducing the sway of a car when cornering at higher rpm's. Due to their size, stabilizer bars are most efficient when they are hollow and, therefore, must meet very strict performance and durability requirements; and
- telescopic power take-off profile tubes used in agriculture vehicles where high-torque transmission and excessive wear are factors. The dimensional accuracy of the OD and ID, the material strength and the excellent surface hardness guarantee extended durability under rough operating conditions.

Although Rothrist manufactures these tubes for very specific applications based on customer preferences and requirements, generally, these tubes demonstrate the following characteristics:

Steering Columns Typical Tube Size	• [•]
Stabilizer Bars Typical Tube Size	• [•]
Profile Tubes Typical Tube Size	• [•]

2. Harmonized Tariff Schedule And DIN Classification

This merchandise is classified under HTS subheading 7306.30.5015 and 7306.50.5030. The DIN Standard for this product is DIN 2393C.

3. Basis For Exclusion

Based on its experience with its European customers, Rothrist is not aware of a significant, if any, U.S. tube industry producing similar or like-quality products. Thus, it is highly unlikely that importing the above described product in any quantities would cause the U.S. tube industry serious injury or threat thereof.

4. Domestic Production And Market Conditions

Because manufacturers increasingly are realizing that being able to offer extremely durable and reliable products in critical areas may justify increased costs, Rothrist believes that the United States could become a potential market for these specialty products. Rothrist is not aware of any U.S. industry being able to meet potential demand of this product.

III. CONCLUSION

Rothrist's exports to the U.S. market are driven exclusively by U.S. automotive demand for quality, not for lower price. Therefore, Rothrist considers that its high-quality and unique products described above neither cause injury to nor threaten with injury the U.S. tube industry. In fact, Rothrist's tubes benefit the U.S. automotive sector who are able to offer U.S. consumers a higher-quality, often safer and, over time, a more cost efficient product.

The President can and, in other Section 203 remedies, has excluded imports of certain articles not produced in the United States. Any remedy imposed on these products ultimately would adversely impact U.S. consumers, delay production of certain U.S. automobiles and hinder the U.S. automotive industry from developing more efficient and technologically advanced products. Accordingly, we respectfully request that the President exclude the above-described products from any remedy imposed.